

**TOWN OF VINEYARD**  
**MANAGEMENT LETTER**  
**JUNE 30, 2005**

**GILBERT & STEWART**  
CERTIFIED PUBLIC ACCOUNTANTS  
A PROFESSIONAL CORPORATION

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December 27, 2005

Honorable Mayor and Town Council  
Town of Vineyard  
Vineyard, UT

We have audited the financial statements of Town of Vineyard for the year ended June 30, 2005 and have issued our report thereon dated December 27, 2005. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of Town of Vineyard. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control structure.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Town of Vineyard's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

This letter is issued as required by Statement on Auditing Standards No. 61, "Communications with audit committees", which requires auditors to determine that certain matters related to the conduct of an audit are communicated to those who have responsibility for the oversight of the financial reporting process.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The

significant accounting policies used by Town of Vineyard are described in Note 1 to the financial statements. No new accounting policies or procedures were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by Town of Vineyard during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

#### Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

#### Significant Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Town of Vineyard's financial reporting process. In our judgment, none of the adjustments we proposed whether recorded or unrecorded by the Town, either individually or in the aggregate, indicate matters that could have a significant effect on the Town's financial reporting process.

#### Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principal to the government unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Town's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### Utah State Compliance

#### **Utah State Legal Compliance Findings - Current Year:**

##### **05-1 General Compliance - Budgetary Compliance**

**Finding:** Utah State law prohibits the Town from incurring expenditures in excess of those budgeted. We noted the Town had expenditures in excess of appropriations as follows:

<u>General Fund</u>	
General Government	\$ 22,997
Parks and Recreation	<u>549</u>
	<u>\$ 23,546</u>

**Recommendation:** We recommend that the Town monitor and make adjustments via a public hearing during and at the end of the year to adjust budgets to be in compliance with the law.

**City's Response:** We concur with the finding and will make proper budget adjustments.

#### **Utah State Legal Compliance Findings - Prior Year:**

##### **04-1 General Compliance - Budgetary Compliance**

**Finding:** Utah State law prohibits the Town from incurring expenditures in excess of those budgeted. We noted the Town had expenditures in excess of appropriations as follows:

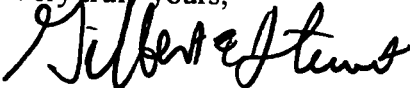
<u>General Fund</u>	
General Government	\$ 30,562
Public Safety	2,218
Highways & Public Works	34,327
Parks and Recreation	<u>7,688</u>
	<u>\$ 74,795</u>

**Recommendation:** We recommend that the Town monitor and make adjustments via a public hearing during and at the end of the year to adjust budgets to be in compliance with the law.

**City's Response:** See current year findings 2005-1.

This information is intended solely for the use of the management of the Town of Vineyard, and is not intended and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Gilbert & Stewart".

GILBERT & STEWART

*Certified Public Accountants*

# **TOWN OF VINEYARD**

## **FINANCIAL STATEMENTS**

**JUNE 30, 2005**

**TOWN OF VINEYARD**  
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# GILBERT & STEWART

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## INDEPENDENT AUDITOR'S REPORT

Honorable Town Council  
Town of Vineyard  
Vineyard, UT

December 27, 2005

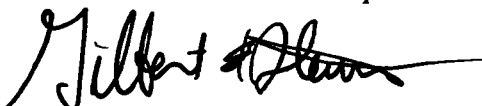
We have audited the accompanying financial statements of the governmental activities, and each major fund of the Town of Vineyard as of and for the year ended June 30, 2005 which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Vineyard management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Town of Vineyard as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 27, 2005 on our consideration of the Town of Vineyard's internal control over financial reporting and on our test of its compliance with certain provisions, laws, regulations, contracts, and grants agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budget comparison, as listed in the table of contents, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

  
GILBERT & STEWART  
Certified Public Accountants



## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Vineyard, we offer readers of Vineyard's financial statements this narrative overview and analysis of the financial activities of the Town of Vineyard for the fiscal year ended June 30, 2005. We encourage readers to consider the information presented here in conjunction with the financial statements that follow this section.

### FINANCIAL HIGHLIGHTS

- As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$2,618,778. Fund Balances are divided as follows: \$165,630 is unreserved in the General Fund, and \$2,453,148 is unreserved in the Capital Projects Fund. Total governmental funds increased by \$160,603 from the prior year.
- The total net assets of \$5,266,243 are made up of \$2,633,872 in capital assets net of related debt and \$2,632,371 in other net assets. Total net assets increased by \$126,124 from the prior year.

### REPORTING THE TOWN AS A WHOLE

This discussion and analysis is intended to serve as an introduction to the Town of Vineyard's basic financial statements. Vineyard's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes other supplementary information in addition to the basic financial statements.

***The government-wide financial statements*** are designed to provide readers with a broad overview of Vineyard's finances, in a manner similar to a private-sector business.

- *The statement of net assets* presents information on all of Vineyard's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Vineyard is improving or deteriorating. However, you will also need to consider other non-financial factors.

- *The statement of activities* presents information showing how the Town's net assets changed during the fiscal year reported. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Both of the government-wide financial statements distinguish functions of Vineyard that are principally supported by taxes and intergovernmental revenues from other functions that are intended to recover all or a significant portion of their costs through user fees and charges.

## REPORTING THE TOWN'S MOST SIGNIFICANT FUNDS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Vineyard also uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Town only has two governmental funds.

• **Governmental funds** - These funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. These fund statements focus on how money flows into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps users determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation included with the fund financial statements.

The major governmental funds (as determined by generally accepted accounting principles) are the General Fund and Capital Projects Fund.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case Vineyard's assets exceed liabilities by \$5,266,243.

Close to half of Vineyard's net assets (50.01%) reflects its investment in capital assets (e.g., land, buildings, infrastructure assets, and machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following table summarizes the Town's net assets. Comparative figures for Fiscal Years 2004 and 2005 are shown.

**Town of Vineyard's Net Assets**

	Governmental Activities	
	2004	2005
Current and other assets	\$ 2,598,875	\$ 2,741,432
Capital assets	2,681,944	2,633,872
Total assets	5,280,819	5,375,304

Total Liabilities	140,700	109,061
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**Net assets:**

Invested in capital assets, net of related debt	2,681,944	2,633,872
Unrestricted	2,458,175	2,632,371
Total net assets	<u>\$ 5,140,119</u>	<u>\$ 5,266,243</u>

**Governmental Activities**

2004	2005
------	------

**Revenues:**

Program Revenues:

Charges for Services	\$ 7,639	\$ 10,319
Capital grants and contributions	22,459	19,232

General Revenues:

Property Tax	78,882	201,829
Sales and Use Tax	39,849	60,536
Franchise Tax	3,353	17,018
State Liquor Tax	30	42
Unrestricted Investment Earnings	37,602	61,407
Total Revenues	<u>189,814</u>	<u>370,383</u>

**Expenses:**

Current:

General Government	148,621	173,815
Public Safety	22,218	14,812
Highways and Public Works	32,178	34,732
Parks and Recreation	19,918	20,900
Total Expenses	<u>222,935</u>	<u>244,259</u>

Increase (decr) in net assets	(33,121)	126,124
Net assets - beginning	5,173,240	5,140,119
Net assets - ending	<u>\$ 5,140,119</u>	<u>\$ 5,266,243</u>

## FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spend-able resources. Such information is useful in assessing the Town's financing requirements. As of the June 30, 2005, the Town's governmental funds (General & Capital Projects) reported combined fund equity of \$2,618,778. This represents an increase of \$160,603 over last year's ending balances. The General Fund is the chief operating fund of the Town. All activities which are not required to be accounted for in separate funds either by state or local ordinance or by a desire to maintain a matching of revenues and expenses are accounted for in this fund.

Taxes continue to be the largest source of revenue in the General Fund and represent 74.5% of total general fund revenues. The largest element of taxes is property taxes as it

has been for the last several years. It represents 70.8% of total tax revenues and 52.8% of total general fund revenues.

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

The town of Vineyard had originally budgeted for revenues of \$207,469 and expenses of \$207,469. During the fiscal year, the town amended the budget increasing revenues to \$289,440 and decreasing expenses to \$184,966.

The General Fund actual revenue of \$356,790 was \$67,350 more than the budgeted amount of \$289,440. Actual expenditures of \$190,944 were over budget by \$5,978.

### **CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets** - The Town of Vineyard's investment in capital assets for its governmental activities as of June 30, 2005, amounts to \$2,633,872 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, equipment, and infrastructure (streets, sidewalks, curb and gutter, etc.).

The Town of Vineyard did not have any major capital asset events during the current fiscal year.

#### **Town of Vineyard's Capital Assets**

	<u>Governmental Activities</u>	
	<u>2004</u>	<u>2005</u>
Land	1,430,388	1,430,388
Water Stock	399,952	399,952
Buildings	393,484	380,025
Improvements Other Than Buildings	17,709	16,729
Equipment	2,563	513
Infrastructure	437,848	406,265
Total Assets	<u>\$ 2,681,944</u>	<u>\$ 2,633,872</u>

Additional information on the Town's capital assets can be found in the notes to this financial report.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The town has recently put together a new master plan, which will allow for residential development of what was formerly agricultural ground. For this reason, and because the Town of Vineyard has run on wells and septic tanks up to this point, the town is planning the start of their infrastructure system.

We currently have an agreement with Orem City, the neighboring community, to start a water system; however, the agreement only includes approximately 250 hook-ups. The Town is looking at leasing some property on the hill at 800 North in Orem, to build a water tank, or the use of wells to accommodate future water needs.

The Town also has an interlocal agreement with Orem City to connect to the Regional Sewer Plant. Orem plans to upgrade the system within the next several years, at which time, the Town of Vineyard has been given the option to pay the amount needed to upgrade the system to service Vineyard's residents at anticipated build-out.

Due to the Geneva Steel Plant closing, and the proceedings in bankruptcy court for Geneva's property and the assets to be sold to the highest bidder; ensuring as much return to its creditors as possible, the Town is looking to incorporate within the new master plan a "North side" planning district. Proposals to the bankruptcy court include a mixed-use planned community, and the Town has agreed to set some guidelines to allow this type of zoning to happen. This also brings in the question of infrastructure, and how the Geneva area will be serviced. Up to this point the Geneva Steel Plant, and surrounding businesses, were serviced by Geneva's own sewer plant, and water system. The Town is looking at the possible purchase of the Geneva sewer plant, and retrofitting it to the Town's standards.

Funding for infrastructure is a major concern and the Town is looking at ways to help pay for the necessary infrastructure. In the next fiscal year, it is anticipated that the Town will be seeking CDBG grant funds to help pay for the water pipes to be placed along Holdaway Road, where most of the current residents reside. The Town has also established water, sewer, and storm water impact fees, with the help of the JUB Engineering firm.

The Town will also be looking at ways to promote light industrial, and commercial establishments, to come in simultaneously along with the residential portion of the planned community zone, in order to help establish a larger tax base to help provide services for its residents.

The Town authorized a decrease in the certified property tax rate to decrease it from .004736 to .002037.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of Vineyard's finances for all those with an interest in the Town's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to the Finance Director, Town of Vineyard, 240 E. Gammon Rd., Vineyard, UT 84058.

**TOWN OF VINEYARD**  
**Statement of Net Assets**  
**June 30, 2005**

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	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 2,628,911
Accounts Receivable, net	
Property Tax Receivable	105,089
Sales Tax Receivable	7,432
Capital Assets (net of accumulated depreciation):	
Land	1,430,388
Water Stock	399,952
Buildings	380,025
Improvements Other Than Buildings	16,729
Equipment	513
Infrastructure	406,265
Total Assets	<u>5,375,304</u>
<b>LIABILITIES</b>	
Accounts Payable and Accrued Liabilities	19,061
Deferred Revenue	<u>90,000</u>
Total Liabilities	<u>109,061</u>
<b>NET ASSETS</b>	
Invested in Capital Assets, net of related debt	2,633,872
Unrestricted	<u>2,632,371</u>
Total Net Assets	<u>\$ 5,266,243</u>

*See accompanying notes to the financial statements*

**TOWN OF VINEYARD**  
**Statement of Activities**  
**For the Year Ended June 30, 2005**

Function/Programs	Program Revenues				Net (Expenses) Revenues & Changes in Net Assets
	Expenses	Operating		Capital	
		Charges for Services	Grants and Contributions	Grants and Contributions	
Primary government:					
Governmental Activities:					
General Government	\$ 173,815	\$ 5,012	\$ -	\$ -	\$ (168,803)
Public Safety	14,812	-	-	-	(14,812)
Highways and Public Works	34,732	5,307	-	19,232	(10,193)
Parks and Recreation	20,900	-	-	-	(20,900)
Total Primary Government	244,259	10,319	-	19,232	(214,708)
General Revenues:					
Property Tax					201,829
Sales and Use Tax					60,536
Franchise Tax					17,018
State Liquor Tax					42
Unrestricted Investment Earnings					61,407
Total General Revenues					340,832
Change in Net Assets					126,124
Net Assets - Beginning					5,140,119
Net Assets - Ending					\$ 5,266,243

See accompanying notes to the financial statements

**TOWN OF VINEYARD**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2005**

	General Fund	Capital Projects Fund	Total Governmental Funds
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 175,763	\$ 2,453,148	\$ 2,628,911
Receivables (net):			
Property Tax	105,089	-	105,089
Sales Tax	7,432	-	7,432
Total Assets	<u>\$ 288,284</u>	<u>\$ 2,453,148</u>	<u>\$ 2,741,432</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts Payable	\$ 11,587	\$ -	\$ 11,587
Payroll Liabilities	7,474	-	7,474
Deferred Revenue	103,593	-	103,593
Total Liabilities	<u>122,654</u>	<u>-</u>	<u>122,654</u>
Fund Balances:			
Unreserved, reported in:			
General Fund	165,630	-	165,630
Capital Projects Fund	-	2,453,148	2,453,148
Total Fund Balances	<u>165,630</u>	<u>2,453,148</u>	<u>2,618,778</u>
Total Liabilities and Fund Balances	<u>\$ 288,284</u>	<u>\$ 2,453,148</u>	<u>\$ 2,741,432</u>

*See accompanying notes to the financial statements*



**TOWN OF VINEYARD**  
**Balance Sheet Reconciliation to**  
**Statement of Net Assets**  
**June 30, 2005**

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Total Governmental Funds Balances	\$ 2,618,778
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	2,633,872
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Long-term assets not available to pay for current period expenditures and, therefore, are deferred in the funds.	<u>13,593</u>
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Total Net Assets of Governmental Activities	<u><u>\$ 5,266,243</u></u>
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*See accompanying notes to the financial statements*

**TOWN OF VINEYARD**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2005**

	General Fund	Capital Projects Fund	Total Governmental Funds
<b>REVENUES</b>			
Taxes	\$ 265,790	\$ -	\$ 265,790
Licenses and Permits	4,605	-	4,605
Intergovernmental	19,274	-	19,274
Charges for Services	5,307	-	5,307
Miscellaneous	61,814	-	61,814
Total Revenues	<u>356,790</u>	<u>-</u>	<u>356,790</u>
<b>EXPENDITURES</b>			
Current:			
General Government	153,063	5,243	158,306
Public Safety	14,812	-	14,812
Highways and Public Works	3,149	-	3,149
Parks and Recreation	19,920	-	19,920
Total Expenditures	<u>190,944</u>	<u>5,243</u>	<u>196,187</u>
Excess (Deficit) of Revenues Over (Under) Expenditures	165,846	(5,243)	160,603
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating Transfers In	-	9,751	9,751
Operating Transfers (Out)	(9,751)	-	(9,751)
Total Other Financing Sources (Uses)	<u>(9,751)</u>	<u>9,751</u>	<u>-</u>
Net Change in Fund Balances	156,095	4,508	160,603
Fund Balances - Beginning	9,535	2,448,640	2,458,175
Fund Balances - End	<u>\$ 165,630</u>	<u>\$ 2,453,148</u>	<u>\$ 2,618,778</u>

*See accompanying notes to the financial statements*

**TOWN OF VINEYARD**  
**Statement of Changes Reconciliation to**  
**Statement of Activities**  
**For the Year Ended June 30, 2005**

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Net Change in Fund Balances of Governmental Funds	\$ 160,603
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	(48,072)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	<u>13,593</u>
Change in net assets of governmental activities	<u><u>\$ 126,124</u></u>

*See accompanying notes to the financial statements*

**TOWN OF VINEYARD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Town of Vineyard (the Town) financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the Town are discussed below.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. Certain of the significant changes in the Statement include the following:

- The financial statements include:

A Management Discussion and Analysis (MD&A) section providing an analysis of the Town’s overall financial position and results of operations.

Financial statements prepared using full accrual accounting for all of the Town’s activities, including infrastructure (roads, bridges, etc.).

- A change in the fund financial statements to focus on the major funds.

**Reporting Entity**

The Town of Vineyard was incorporated on May 11, 1989. The Town operates under an elected Mayor-Council form of government.

**Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statements of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

**TOWN OF VINEYARD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

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**NOTE 1 - SUMMARY (*Continued*)**

The statement of activities demonstrates the degree to which the direct expenses of a given function or activity are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include 1) charges to customers or applicants who purchase, use directly benefit from goods, services, or privileges provided by a given function or activity and 2) grants and contributions that are restricted to meeting the operational or capital requirements of particular function or activity. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**Measurement Focus, Basis of Accounting and Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified basis of accounting. Revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers all revenues available if they are collected within 60 days after the year-end. Expenditures are recorded when the related fund liability is incurred, except for expenditures related to compensated absences, claims, and judgments, which are recorded only when payment is due.

Sales taxes, use taxes, franchise taxes, and earned but unreimbursed state and federal grants associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. Property taxes are measurable as of the date levied (assessed) and are recognized as revenue when they become available. Available means when due, or past due, and received within the current period or collected soon enough thereafter to be used to pay liabilities of the current period. All other revenues are considered to be measurable and available only when the Town receives cash.

**TOWN OF VINEYARD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

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**NOTE 1 - SUMMARY (*Continued*)**

The Town reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *capital projects fund* accounts for financial resources used for the acquisition or construction of major capital improvements.

The Town has no proprietary funds.

As a general rule, the effect of inter-fund activity has been eliminated from the government financial statements.

**Assets, Liabilities, and Net Assets or Equity**

**A. Cash and cash equivalents**

Cash includes cash on hand, demand deposits with banks and other financial institutions, and deposits in other types of accounts or cash management pools that have the general characteristics of demand deposit accounts. Town policy allows for the investment of funds in time certificates of deposit with federally insured depositories, investment in the Utah Public Treasurer's Investment Fund (Fund) and other investments allowed by the State of Utah's Money Management Act. Investments are reported at fair value. The Fund operates in accordance with state laws and regulations. The reported value of the Town's cash in the Fund is the same as the fair value of the Fund shares.

Cash equivalents are defined as short-term highly liquid investments that are both readily convertible to known amounts of cash and so near maturity that they present insignificant risk of changes in value because of changes in interest rates. Investments with maturities of three months or less, when purchased, meet this definition.

**B. Restricted Assets**

Cash, which is restricted to a particular use due to statutory, budgetary or bonding requirements, is classified as "restricted cash" on the Statement of Net Assets and on the Balance Sheets. Restricted cash would be spent first and then unrestricted resources would be used when the restricted funds are depleted.

**TOWN OF VINEYARD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

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**NOTE 1 - SUMMARY (Continued)**

**C. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and structures	30-50
Infrastructure	20-40
Improvements Other Than Buildings	15-25
Machinery and equipment	5-10

**D. Taxes**

In Utah, county governments assess, levy, collect and disburse two principal types of tax: (1) personal property tax which is assessed on business assets other than real estate, and (2) tax on real estate and improvements. Business personal property and real estate taxes attach as an enforceable lien on property as of January 1<sup>st</sup>. Taxes are levied on all business personal property on January 1<sup>st</sup> and real estate and improvement taxes are levied on January 1<sup>st</sup> and are payable by November 30<sup>th</sup>. The real property taxes that are due in November are reported as a receivable from property taxes on the financial statements. Because these taxes are not considered available to liquidate liabilities of the current period, they are offset by deferred revenue.

**TOWN OF VINEYARD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

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**NOTE 1 - SUMMARY (*Continued*)**

The Town Council is authorized by state statute to levy a tax against all real and personal property located within its boundaries. The Council must set a tax rate by June 22<sup>nd</sup> each year. The County Treasurer, acting as a tax collector, must settle and disburse all tax collections to all taxing entities on a routine basis.

**E. Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**F. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

**G. Use of Estimates**

Presenting financial statements in conformity with Generally Accepted Accounting Principles requires management to make certain estimates concerning assets, liabilities, revenues and expenses. Actual results may vary from these estimates.

**NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

**A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets**

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets.



**TOWN OF VINEYARD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

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**NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)**

This difference primarily results from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheets.

When capital assets (property, plant, and equipment) that are to be used in governmental activities are purchased or constructed, the cost of these assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the Town as a whole.

Cost of capital assets	\$3,356,931
Accumulated depreciation	( 723,059)
Net adjustment to increase <i>fund balance – total governmental funds</i> to arrive at <i>net assets – governmental activities</i> )	<u>\$2,633,872</u>

**B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities**

The governmental fund statement of revenues, expenditures and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.”

Capital outlay	\$ 0
Depreciation expense	( 48,072)
Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 48,072</u>

Another element of that reconciliation states that certain revenues reported in the statement of activities were not provided for use as current financial resources and are, therefore, not reported as revenues in the governmental funds. The net adjustment to decrease *net changes in fund balances – total governmental funds* to arrive at *changes in net assets of governmental activities* is as follows:

Delinquent Property Taxes	(\$ 13,593)
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**TOWN OF VINEYARD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

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**NOTE 3 – BUDGETS AND BUDGETARY ACCOUNTING**

Annual budgets are prepared and adopted in accordance with the Uniform Fiscal Procedures Act adopted by the State of Utah. Once a budget has been adopted, it remains in effect until it has been formally revised. Furthermore, in accordance with state law, all appropriations lapse at the end of the budget year. If any obligations are contracted for and are in excess of adopted budget, they are not a valid or enforceable claim against the Town. Budgets are adopted on a basis consistent with generally accepted accounting principles. Although Utah State Law requires the initial preparation of budgets for all Town funds, it only requires the reporting of comparisons of actual results to budgets for the general fund and any major special revenue funds.

The Town adheres to the following procedures in establishing the budgetary data reflected in the financial statements:

- A. On or before the first regularly scheduled meeting of the Town Council in May, the Town administrator, authorized under state statute to be appointed budget officer, submits a proposed operation budget. The operating budget includes proposed expenditures and the means of financing them.
- B. A public hearing is held at which time the taxpayers' comments are heard. Notice of the hearing is given in the local newspaper at least seven days prior to the hearing. Copies of the proposed budget are made available for public inspection ten days prior to the public hearing.
- C. On or before June 22<sup>nd</sup>, a final balanced budget must be adopted through passage of a resolution for the subsequent fiscal year beginning July 1<sup>st</sup>.
- D. Control of budgeted expenditures is exercised, under state law, at the departmental level. The Town Administrator, however, acting as budget officer, has the authority to transfer budget appropriations between line items within any department of any budgetary fund. The Town Council, by resolution, has the authority to transfer budget appropriations between the individual departments of any budgetary fund.
- E. Budget appropriations for any department may be reduced by resolution.
- F. A public hearing as required in B) above, must be held to increase the total appropriations of any one governmental fund type; however, after the original public hearing, operating and capital budgets of proprietary fund types may be increased by resolution without an additional hearing.
- G. Encumbrances lapse at year end. Encumbered amounts carry over to the following year and are subject to reappropriation. Therefore, no encumbrances are presented in the financial statements.

**TOWN OF VINEYARD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

**NOTE 4 – CASH, CASH EQUIVALENTS AND INVESTMENT**

The Town maintains a cash and investment pool that is available for use by all funds. At June 30, 2005 the Town's cash balance consisted of the following:

Cash, Cash Equivalents, and Temporary Cash Investments	\$2,628,911
Cash, and Cash Equivalents - Restricted	-
Total Cash and Equivalents	<u>\$2,628,911</u>

While the Town's carrying amount of deposits was \$7,222 the balance in the Town's bank account and cash on hand was \$11,358 with the difference being due to outstanding checks and deposits in transit.

**A. Deposits**

Deposits – Custodial Credit Risk. Custodial risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town follows the requirements of the Utah Money Management Act in handling its depository and investing transactions. The Town considers the actions of the State Money Management Council to be necessary and sufficient for adequate protection of its uninsured bank deposits. Town funds are deposited in qualified depositories as defined by the Act. The Town does not have a deposit policy for custodial credit risk. As of June 30, 2005, the Town's custodial credit risk for deposits were as follows:

<u>Depository Account</u>	<u>Custodial Credit Risk</u>	<u>Balance June 30, 2005</u>
Checking and Savings	Insured and collateralized	\$ 11,358

**B. Investments**

The Town's investments are managed through participation in the State Public Treasurers' Investment Fund; the underlying securities are unrated. As of June 30, 2005 the Town had the following investments:

	<u>Investment Maturities (in Years)</u>			
<u>Investments</u>	<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More than 10</u>
Utah Public Treasurer's Investment Fund	\$ 2,621,689	\$ -	\$ -	\$ -

**TOWN OF VINEYARD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

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**NOTE 4 – CASH, CASH EQUIVALENTS AND INVESTMENT (*Continued*)**

Investments – Interest Rate Risk. The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, interest rate risk is managed by compliance with the Utah Money Management Act, which provides guidance for handling depository and investing transactions in order to minimize interest rate risk.

Investments – Credit Risk. The Town follows the requirements of the Utah Money Management Act in handling its Depository and investing transactions. The Town funds are deposited in qualified depositories as defined by the Act. The Act also authorizes the Town to invest in the Utah Public Treasurers Investment Fund (PTIF), certificates of Deposits, U.S. Treasury obligations, U.S. agency issues, restricted mutual funds, and obligations of governmental entities within the State of Utah. The Town's investments are invested in accordance with the Act. The State Money Management Council provides regulatory oversight for the investments. The degree of risk of the investments depends on the underlying portfolio. The Act and Council rules govern the financial reporting requirements of qualified depositories in which public funds may be deposited and prescribe the conditions under which the designation of a depository shall remain in effect. If a qualified depository should become ineligible to hold public funds, public treasurers are notified immediately. The Town considers the actions of the Council to be necessary and sufficient for adequate protection of its investments. The Town has no investment policy that would further limit its investment choices.

Investments-Custodial Credit Risk. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the Town's \$2,621,689 in the Utah State Treasurers Investment Pool, the entire amount of underlying securities are held by the Investment's counterparty, not in the Town's name and are not insured. The Town's investment arrangements primarily invest in Utah State Treasurers investment pool, obligations of the United States Treasury, agencies, or instrumentalities of the United States that meet the allowable investments of the Utah Money Management Act. The Town does not have an investment policy for custodial credit risk.

**NOTE 5 - RECEIVABLES**

Receivables as of year end for the government's general fund, including the applicable allowances for uncollectible accounts, consist of the following:

Receivables:	
Property Tax	\$ 105,089
Sales Tax	<u>7,432</u>
Total Receivable	<u>\$ 112,521</u>

**TOWN OF VINEYARD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* and *unearned revenue* reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Property taxes receivable (general fund)	\$ 103,593	\$ -

**NOTE 6 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2005, was as follows:

**Primary Government**

	<u>Balance 6/30/04</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/05</u>
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 1,430,388	\$ -	\$ -	\$ 1,430,388
Water Stock	<u>399,952</u>	<u>-</u>	<u>-</u>	<u>399,952</u>
Total capital assets, not being depreciated	<u>\$ 1,830,340</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,830,340</u>
Capital assets, being depreciated:				
Buildings	\$ 538,369	\$ -	\$ -	\$ 538,369
Machinery and equipment	16,245	-	-	16,245
Improvements Other Than Buildings	24,496	-	-	24,496
Infrastructure	<u>947,481</u>	<u>-</u>	<u>-</u>	<u>947,481</u>
Total capital assets being depreciated	<u>1,526,591</u>	<u>-</u>	<u>-</u>	<u>1,526,591</u>
Less accumulated depreciated for:				
Buildings	144,885	13,459	-	158,344
Machinery and equipment	13,682	2,050	-	15,732
Improvements Other Than Buildings	6,787	980	-	7,767
Infrastructure	<u>509,633</u>	<u>31,583</u>	<u>-</u>	<u>541,216</u>
Total accumulated depreciation	<u>674,987</u>	<u>48,072</u>	<u>-</u>	<u>723,059</u>
Total capital assets being depreciated, net	<u>851,604</u>	<u>48,072</u>	<u>-</u>	<u>803,532</u>
Governmental activities capital assets, net	<u>\$ 2,681,944</u>	<u>\$ 48,072</u>	<u>\$ -</u>	<u>\$ 2,633,872</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General Government	\$ 15,509
Highways and Public Works	31,583
Parks and Recreation	<u>980</u>
Total depreciation expense – governmental activities	<u>\$ 48,072</u>

**TOWN OF VINEYARD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

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**NOTE 7 - EXPENDITURES IN EXCESS OF APPROPRIATIONS**

For the year ended June 30, 2005, expenditures in the general fund exceeded appropriations by \$5,978.

**NOTE 8 - RISK MANAGEMENT**

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in the Utah Local Governments Trust (a public entity risk pool). All claims are submitted to the Utah Local Governments Trust which acts as a commercial insurer. The Trust covers claims up to \$2,000,000. The Town has not incurred a claim in excess of its coverage for any of the past three fiscal years

**REQUIRED SUPPLEMENTARY INFORMATION**

**TOWN OF VINEYARD**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended June 30, 2005**

	Budgeted Amounts		Actual Totals	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 138,634	\$ 252,000	\$ 265,790	\$ 13,790
Licenses and Permits	23,500	4,000	4,605	605
Intergovernmental	22,035	22,040	19,274	(2,766)
Charges for Services		-	5,307	5,307
Miscellaneous	23,300	11,400	61,814	50,414
Total Revenues	<u>207,469</u>	<u>289,440</u>	<u>356,790</u>	<u>67,350</u>
<b>EXPENDITURES</b>				
Current:				
General Government	100,800	130,066	153,063	(22,997)
Public Safety	27,200	27,200	14,812	12,388
Highways and Public Works	55,619	2,600	3,149	(549)
Parks and Recreation	23,850	25,100	19,920	5,180
Total Expenditures	<u>207,469</u>	<u>184,966</u>	<u>190,944</u>	<u>(5,978)</u>
Excess (Deficit) of Revenues Over (Under) Expenditures	- -	104,474	165,846	61,372
<b>OTHER FINANCING SOURCES (USES)</b>				
Excess Beg. Fund Bal. To be Appropri.				
Operating Transfers In	-	-	-	-
Operating Transfers (Out)		(112,474)	(9,751)	102,723
Total Other Financing Sources (Uses)	<u>-</u>	<u>(112,474)</u>	<u>(9,751)</u>	<u>102,723</u>
Net Change in Fund Balance	-	(8,000)	156,095	164,095
Fund Balances - Beginning	9,535	9,535	9,535	-
Fund Balances - Ending	<u>\$ 9,535</u>	<u>\$ 1,535</u>	<u>\$ 165,630</u>	<u>\$ 164,095</u>

*See accompanying notes to the financial statements*



## **OTHER REPORTS**

**GILBERT & STEWART**  
CERTIFIED PUBLIC ACCOUNTANTS  
A PROFESSIONAL CORPORATION

RANDEL A. HEATON, C.P.A.  
LYNN A. GILBERT, C.P.A.  
JAMES A. GILBERT, C.P.A.  
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**REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Honorable Mayor and Town Council  
Town of Vineyard  
Vineyard, UT

December 27, 2005

We have audited the financial statements of the governmental activities and each major fund of the Town of Vineyard as of and for the year ended June 30, 2005, and have issued our report thereon dated December 27, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

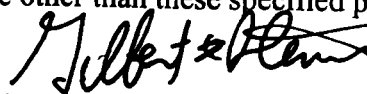
Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Vineyard's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Vineyard's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, Utah State Auditor, and pass-through entities and should not be used by anyone other than these specified parties.

  
GILBERT & STEWART  
Certified Public Accountants

**GILBERT & STEWART**  
CERTIFIED PUBLIC ACCOUNTANTS  
A PROFESSIONAL CORPORATION

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**INDEPENDENT AUDITOR'S REPORT ON  
LEGAL COMPLIANCE WITH APPLICABLE  
UTAH STATE LAWS AND REGULATIONS**

Honorable Mayor and Town Council  
Town of Vineyard  
Vineyard, UT

December 27, 2005

We have audited the accompanying financial statements of the governmental activities and each major fund of the Town of Vineyard for the year ended June 30, 2005, and have issued our report thereon dated December 27, 2005. As part of our audit, we have audited the Town of Vineyard's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; special tests and provisions applicable to each of its major state assistance programs as required by the State of Utah's Legal Compliance Audit Guide for the year ended June 30, 2005. The Town received the following major state assistance programs from the State of Utah:

Class "C" Road Funds (Department of Transportation)  
Liquor Funds (Utah State Tax Commission)

The Town received no nonmajor grants during the year.

Our audit also included testwork on the Town's compliance with those general compliance requirements identified in the Compliance Manual for Audits of Local Governments in Utah including:

Public Debt	Liquor Law Enforcement
Cash Management	B & C Road Funds
Purchasing Requirements	Other Compliance Requirements
Budgetary Compliance	Department of Commerce - Building Permits
Property Tax	Asset Forfeitures

The management of the Town of Vineyard is responsible for the Town's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred.

An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the accompanying management letter. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, the Town of Vineyard complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major state assistance programs for the year ended June 30, 2005.

This report is intended solely for the information and use of management, Utah State Auditor, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

  
GILBERT & STEWART  
*Certified Public Accountants*